Minimum Disclosure Document

High Street High Equity Prescient Fund

As at 29 November 2019 – Issued on 09 December 2019

PRESCIENT MANAGEMENT COMPANY

highstreet Asset Management

FUND OBJECTIVE & INVESTMENT POLICY

The fund aims to deliver medium to long-term capital growth over time. The fund invests in a diversified range of equities, preference shares, bonds, debentures, money market, fixed income, property markets and instruments based on the value of any precious metal. The equity allocation will be managed at a maximum effective exposure, including offshore equity, up to 75%. The fund is permitted to invest in listed and unlisted financial instruments in line with the conditions as determined by legislation from time to time. The fund will predominately invest in South African markets but is however permitted to include investments in offshore jurisdictions subject to the investment conditions determined by legislation from time to time. The fund complies with Regulation 28 of the Pension Funds Act.

PORTFOLIO DYNAMICS

FUND MANAGER:
High Street Asset Management (Pty) Ltd
- Ross Beckley, CFA

LAUNCH DATE:
19 December 2018

CLASSIFICATION:
South African – Multi Asset – High Equity

BENCHMARK:
75% FTSE/JSE All Share Total Return Index
25% SAFE South Africa Short Fixed Term Interest Rate – Composite Index, net of fees

ISIN:
ZAE000264552

MINIMUM INVESTMENT:
Lump sum: R10,000
Monthly: R500

ADMINISTRATOR:
Prescient Fund Services (Pty) Ltd

CUSTODIAN:
Nedbank Investor Services

UNIT PRICE (cents):
112.95

FUND SIZE:
R103.80m

DISTRIBUTION:
Annually End of March (Optional)

FEES:
Initial Fund Fee: Nil
Exit Fund Fee: Nil

ANNUAL MANAGEMENT FEE:
Class A1: 0.75%

ANNUAL PERFORMANCE FEE:
5% of Growth Above the Hurdle Rate
(Hurdle Rate is 10% Per Annum)

TOTAL EXPENSE RATIO:
TER incl VAT: New Fund
TIC incl VAT: New Fund
(only available after 12 months)

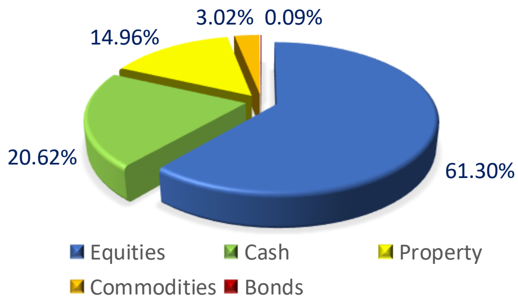
RISK PROFILE:
Moderate – High

RECOMMENDED TIME HORIZON:
5 years

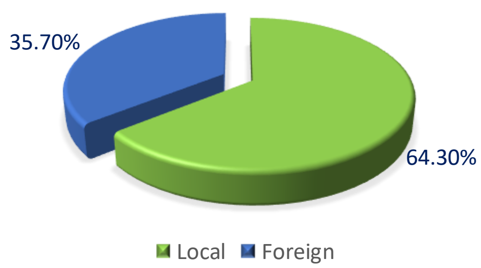
% MONTHLY PERFORMANCE (NET OF FEES)

		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2019	FUND	0.06	5.22	3.66	3.49	-6.32	2.69	1.32	0.78	0.04	1.44	-0.84		11.64
	BENCHMARK	2.26	2.70	1.31	3.33	-3.48	3.72	-1.62	-1.68	0.29	2.50	-1.21		8.11
2018	FUND												1.17	1.17
	BENCHMARK												1.78	1.78

ASSET ALLOCATION



GEOGRAPHIC EXPOSURE



TOP 5 HOLDINGS

Equities	Property	Bonds
Prosus	Sirius Real Estate	African Bank
Master Drilling	MAS Real Estate	
Naspers	NEPI Rockcastle	
Mondi	RDI REIT	
Alibaba		

PERFORMANCE GRAPH

(Please note that the graph may only be displayed after 12 months)

ANNUALISED RETURNS

RETURN PERIOD	FUND	BENCHMARK
1 year	N/A	N/A
3 years	N/A	N/A
5 years	N/A	N/A
Since Inception	N/A	N/A
Highest rolling 1-year return	N/A	N/A
Lowest rolling 1-year return	N/A	N/A

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Investment Management Commentary

The fund returned -0.84% for the month of November relative to a benchmark return of -1.21%, with the rand having appreciated by 2.85% against the US dollar. We believe this is an admirable result considering the fund has 35.7% direct offshore exposure and an additional 50% comprising rand hedge instruments. As always, we wish to remind investors that the fund will show a high correlation to the rand exchange rate – a weak rand will see strong fund performance all else being equal.

The South African Reserve Bank (SARB) left interest rates unchanged following the November meeting with 3 policy members voting for no change and 2 members voting for a 0.25% cut. The committee was split as members contemplated the benign inflationary environment amidst a global climate awash with potential negative catalysts. If the committee was to lower rates to support economic growth, they would be increasing the risks attached to any global economic events should one of the catalysts occur. We believe this to be a prudent move as a 0.25% cut would provide little relief to the weary local consumer. During the month, a few key datapoints were released which continue to paint a dreary picture for the local economy:

- Core inflation (CPI) up 4.0% year-on-year for the month of October
- Vehicle sales up 0.2% year-on-year for the month of October
- Retail sales up 0.2% year-on-year for the month of September
- Local manufacturing activity, as measured by Standard Bank PMI, stood at 49.4 for month of October. A reading of less than 50 indicates a contraction with 10 months of the past year having been in this category
- Consumer confidence stood at -7 for the 2019 third quarter. A reading of -7 suggests that 15% more consumers expect a deterioration in the economy as opposed to an improvement relative to the previous quarter. This reading is back to the lows that preceded Ramaphosa's election win towards the end of 2017
- The budget deficit stood at -R42.3bn for October, slightly worse than the -R40.9bn forecast. Of major concern is the trajectory of the deficit. Over the past year, the 1 year rolling average has deteriorated by 2.3% when measured as a percentage of Gross Domestic Product (GDP). The slippage in this metric over time has seen our debt-to-GDP rise from 26% preceding the global financial crisis to just under 60% currently. Moody's, the only rating agency to have our country rating on investment grade status, has clearly mentioned that keeping our debt levels under control are integral to maintain this status. With rampant unemployment and militant labour unions, the government has little political power to maintain our investment grade rating at the expense of losing the vote of the populace

Several companies reported results during November with the bulk being ahead of market expectations. Noteworthy releases were:

Alibaba, China's largest online retailer with approximately 60% of the market share, produced strong results with sales beating consensus by 2% and earnings per share by 23%. This equates to a growth in sales of 40% which we believe to be attractive on a forward price earnings multiple of 25x. **JD.Com**, China's second largest online retailer with approximately 15% of the market share, followed suit in showing significant growth in revenue and profitability. Sales beat consensus by 5% and earnings per share by 71%. We believe the share to also be reasonably price on a forward price earnings multiple of 27x. As a whole, we believe the sector still has significant room to grow with ancillary revenue streams offering additional potential to keep sales growth at elevated levels for the foreseeable future.

Locally, results were mixed to an extent. **Richemont** reported weak results with sales missing expectations by 1% and earnings per share by 12%. We believe the weakness to be transitory as Hong Kong protests and increased investment into their online distributors temporarily weigh on earnings. **Coronation** produced results that were largely in-line with expectations, however, recent fund performance and significant outflows have moderated our expectations for earnings going forward. While the share does still trade on attractive multiples, we believe a continuing deterioration in business fundamentals could keep the share price depressed and even result in earnings declining further – all the potentials of a classic value trap. **Naspers and Prosus** reported results that were largely in-line with expectations. As the financials for both counters are largely dominated by their underlying investment in Tencent, analysts largely focus on the performance of their remaining Ecommerce assets which account for approximately a quarter of the value ascribed to each business. The core Ecommerce continued to show improvements in profitability, however, analysts are expressing concern over the amount of investment going into their Food Delivery segment. We believe this negative sentiment is overdone and both shares are now trading near historically high discounts relative to their underlying value. This, together with a bullish view on Tencent, continues to make Naspers and Prosus compelling investment cases.

Notable activity during the month included 1) a switch from **Naspers** into **Prosus** on the back of their relative discounts at which they trade to underlying value, 2) selling **Coronation** on the back of poor results and a deteriorating outlook, 3) selling **Adcock Ingram** to increase our exposure to rand hedge positions. We believe the stock is fairly-valued but will face profitability issues if the rand deteriorates due to the caps placed on price increases linked to the single exit pricing mechanism which will fail to offset cost price pressure should the rand exchange deteriorate meaningfully. This type of investment does not align with the fund's mandate and we see better opportunities in our rand hedge positions.

The fund is well positioned to provide South African investors with a largely rand hedge product to aid in protecting the global purchasing power of their local savings, should they express concern around the prevailing political and economic climate in South Africa.

Ross Beckley, CFA
Fund Manager

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DISCLAIMER

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager and the TER.

The Manager retains full legal responsibility for any third-party-named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website. Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request. For any additional information such as fund prices, brochures and application forms please go to www.prescient.co.za

FUND SPECIFIC RISKS

1. **Default risk:** The risk that the issuers of fixed income instruments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The issuers credit quality it vital. The worse the credit quality, the greater the risk of default and therefore investment loss.
2. **Developing Market (excluding SA) risk:** Some of the countries invested in may have less developed legal, political, economic and/or other systems. These markets carry a higher risk of financial loss than those in countries generally regarded as being more developed.
3. **Foreign Investment risk:** Foreign securities investments may be subject to risks pertaining to overseas jurisdictions and markets, including (but not limited to) local liquidity, macroeconomic, political, tax, settlement risks and currency fluctuations.
4. **Interest rate risk:** The value of fixed income investments (e.g. bonds) tends to be inversely related to interest and inflation rates. Hence their value decreases when interest rates and/or inflation rises.
5. **Property risk:** Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations.
6. **Currency exchange risk**: Changes in the relative values of individual currencies may adversely affect the value of investments and any related income.
7. **Geographic / Sector risk:** For investments primarily concentrated in specific countries, geographical regions and/or industry sectors, their resulting value may decrease whilst portfolios more broadly invested might grow.
8. **Liquidity risk:** If there are insufficient buyers or sellers of particular investments, the result may lead to delays in trading and being able to make settlements, and/or large fluctuations in value. This may lead to larger financial losses than expected.
9. **Equity investment risk:** Value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. bankruptcy), the owners of their equity rank last in terms of any financial payment from that company.

GLOSSARY SUMMARY

Annualised performance: Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.

Highest & Lowest return: The highest and lowest returns for any 1 year over the period since inception have been shown.

NAV: The net asset value represents the assets of a Fund less its liabilities.

CONTACT DETAILS

Management Company:
Prescient Management Company (RF) (Pty) Ltd, **Registration number:** 2002/022560/07 **Physical address:** Prescient House, Westlake Business Park, Otto Close, Westlake, 7945 **Postal address:** PO Box 31142, Tokai, 7966. **Telephone number:** 0800 111 899. **E-mail address:** info@prescient.co.za **Website:** www.prescient.co.za

Trustee:
Nedbank Investor Services **Physical address:** 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709 **Telephone number:** +27 11 534 6557 **Website:** www.nedbank.co.za

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

Investment Manager:
High Street Asset Management (Pty) Ltd, **Registration number:** 2013/124971/07 is an authorised Financial Services Provider (FSP45210) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (N0.37 of 2002). Please be advised that there may be representatives acting under supervision.
Physical address: The Offices of Hyde Park, Block B, 1 Strouthos Rd / Off 2nd Rd, Hyde Park, 2196 **Postal address:** P.O. Box 523041, Saxonwold, 2132 **Telephone number:** +27(0)11-3254006 **Website:** www.highstreetassetmanagement.co.za

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This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.

TER & TC

FEES (Incl VAT)	
Invest Management Fee	0.75%
Performance Fee	New Fund
Other Fees	New Fund
Total Expense Ratio (TER)	New Fund
Transaction Costs (TC)	New Fund
Total Investment Charge (TIC)	New Fund

The TER and TC ASISA Standard came into effect from 1 January 2016. This standard is to ensure that all ASISA members operate within the outcomes of TCF. Therefore, it is a requirement to disclose both the TER and TC numbers. Transaction Costs are not included in the calculation of TER hence we need to disclose both the TER and TC numbers separately and also Total Investment Charge which is the combination of TER and TC. This will impact the MDDs as we will have to disclose this and amend the disclaimer to cater for the definition of Total Costs.

Please note that the Total Expense Ratio and Transaction Costs cannot be determined accurately because of the short life span of the Financial Product and the funds. The TER will be available after one year.